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FISCAL IMPACT STATEMENT

LS 6432

BILL NUMBER: HB 1165

NOTE PREPARED: Jan 30, 2007

BILL AMENDED: Jan 26, 2007

SUBJECT: Tax Credit for Truck Auxiliary Power Unit.

FIRST AUTHOR: Rep. Cochran

FIRST SPONSOR: Sen. Alting

BILL STATUS: As Passed House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: (Amended) The bill provides an Income Tax credit to a taxpayer for purchasing and installing an auxiliary power unit in the taxpayer's qualified motor vehicle. The bill provides that a qualified motor vehicle is a motor vehicle that is classified as a heavy duty vehicle under federal law and is equipped with a sleeping compartment.

Effective Date: January 1, 2007 (retroactive).

Explanation of State Expenditures: The Department of State Revenue (DOR) will incur additional expenses to revise tax forms, instructions, and computer programs to reflect the new tax credit for the cost of auxiliary power units installed in commercial motor vehicles. The DOR's current level of resources should be sufficient to implement the new credit.

Explanation of State Revenues: (Revised) *Summary:* The bill would reduce state Adjusted Gross Income (AGI) Tax liabilities of individual and corporate taxpayers for auxiliary power units (APUs) the taxpayers place in service on qualified motor vehicles during the taxable year. The fiscal impact of this credit is indeterminable and would depend on several factors for which data is unavailable. These factors include the number semi tractor trailer trucks equipped with sleeping compartments, the number of such trucks currently fitted with APUs, the demand for APUs, and the pricing on APUs.

Currently, there are about 124,000 semi tractors operating with a declared gross weight of 78,000 pounds or more with the BMV and the Motor Carrier Services Division of the DOR. It is likely that most of the potential trucks with sleeping compartments that would qualify for the tax credit fall into this weight classification. However, the percentage of group that have sleeping compartments and don't have APUs is

unknown. The U.S. Department of Energy reports that APUs range in price from \$1,500 to \$7,000. Typical installation costs are unknown. Assuming the unit prices cited above, if APUs are installed on 1,250 qualified semi tractors each year (about 1% of the semi tractors operating with a declared gross weight of 78,000 pounds or more), credits could total \$375,000 to \$1.75 M.

Background: The bill provides a nonrefundable tax credit against the AGI Tax liability of individual and corporate taxpayers for “alternative power units” (APUs) the taxpayer installs on the taxpayer's “qualified motor vehicles.” The credit is equal to 20% of the purchase price and installation cost of an APU. The bill defines an APU as a portable, truck-mounted system that provides climate control and power for a commercial motor vehicle that is not idling. The bill defines a qualified motor vehicle as a motor vehicle that: (1) when used with a trailer or semitrailer, is classified by the Federal Highway Administration as a heavy duty vehicle in vehicle Class 8 through vehicle Class 13; and (2) is equipped with a sleeping compartment. (Note: Class 8 to Class 13 vehicles are classified as tractor trailer trucks ranging from (1) a less than five-axle tractor/single trailer, medium haul delivery vehicle to (2) a more than six-axle multi trailer truck.) To be eligible for the tax credit, the APU must first be placed in service by the taxpayer after December 31, 2006. The taxpayer must claim one-half of the tax credit in the taxable year in which the APU was placed in service, and one-half of the credit in the next taxable year. The tax credit may be claimed by individual and corporate taxpayers, including shareholders or partners of a pass through entity.

Since the bill is effective beginning in tax year 2007, the fiscal impact relating to creditable APU installations could begin in FY 2008. Revenue from the corporate AGI tax is deposited in the state General Fund. Eighty-six percent of the revenue from the individual AGI Tax is deposited in the state General Fund, and 14% is deposited in the Property Tax Replacement Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: U.S. Department of Energy, <http://www.eere.energy.gov/cleancities/idle/apu.html>. Linda Risley, Department of State Revenue, (317) 615-7205; Jane Morrical, Bureau of Motor Vehicles, (317) 233-3164; Kenny Cragen, Indiana Motor Truck Association, (317) 630-0072. FHWA Vehicle Classes, Federal Highway Administration, <http://tmip.fhwa.dot.gov>.

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